

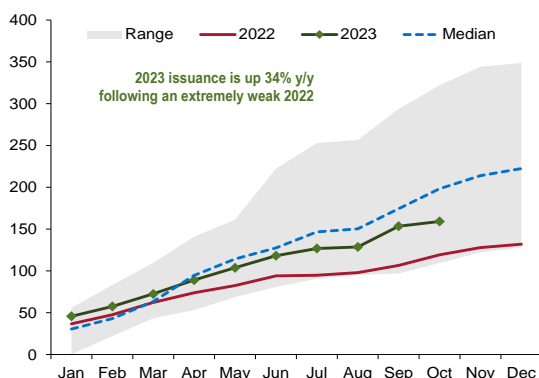


## OCTOBER HIGHLIGHTS:

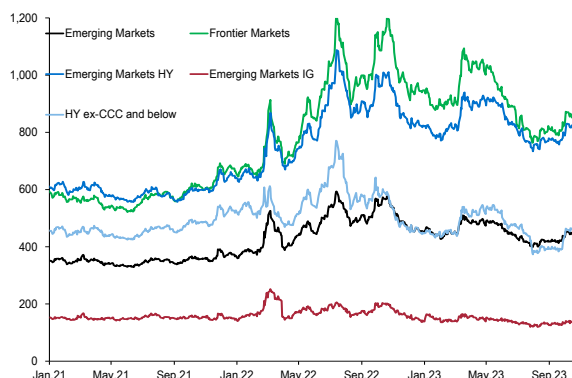
- **Monthly EM bond issuance slowed sharply to \$6.4 bn in October, down from \$25.8 bn in September, and well below the monthly average amid limited corporate and sovereign issuance.** Total sovereign and corporate issuance (ex CHN) has increased 33% y/y through October due to an anemic 2022. However, YTD total issuance is tracking in the 20<sup>th</sup> percentile since 2013, or 10<sup>th</sup> percentile when including Chinese corporates.
- **Sovereign issuance slowed to \$3.9 bn in September with three issuers.** Romania sold \$0.2 bn across two euro denominated notes. Chile sold \$2.7 bn in two sustainability linked bonds, one in dollars and one in pesos. The latter furthers a trend of increased *international local currency* bond issuance in 2023. High yield (BB-) Uzbekistan issued local currency and USD bonds worth a combined \$1 bn, as its sovereign spread averaged near 350 bps in Q3.
- **Nonfinancial corporate issuance slowed to \$2.6 bn (\$1.8 bn ex. China), the worst month since March.** Corporates from Indonesia, Mexico, China were among the issuers. Total corporate issuance is roughly in line with 2022—the two worst years since 2010—while EMs ex. China are up 27% y/y. Chinese YTD issuance remains depressed at roughly half of 2022 levels, and the worst since 2010.
- **EM sovereign spreads widened +11 bps on net in October, and are about 45 bps higher from their late July lows.** Investment grade sovereign spreads widened (+12 bps) but continue to trade near historical tight. High yield excluding CCC and below also widened +21 bps but remains around 3 bps tighter YTD. Frontier spreads were little changed on net during the month despite some laggards, including Jordan and Iraq, which may have underperformed due to the regional turmoil, as well as Bolivia.
- **Ratings roundup: Egypt** was downgraded by Moody's (Caa1 from B3) and S&P (B- from B) prior to the recent conflict. The rating agency also downgraded **Uganda** (B- from B). **Jamaica** was upgraded by Moody's and its outlook turned to positive following continued improvement in debt metrics (from B1 to B2). The country was also upgraded by S&P in September for similar reasons. **Costa Rica** was upgraded again by S&P this year (BB- from B+) on the back of improved fiscal performance and macro stability. Moody's downgraded **Panama** (Baa3 from Baa2) due to fiscal challenges.
- **Hard currency bond fund outflows continued in October.** Outflows have continued for 13 consecutive weeks (since early August), and accelerated to \$4.9 bn total in October, despite tentative signs of stabilization in the last week. YTD, outflows surpassed 6% of AUM. Both Treasuries and spread widening contributed to nearly a 2% loss for the asset class in October, erasing lingering gains from early in the year.
- **Issuance to remain sluggish amid elevated Treasury yields and limited refinancing needs until 2024.** With rally in US Treasury yields last week, Bulgaria, Costa Rica, Turkey, Uruguay are expected to issue this week. Market analysts see possible investment grade issuers in Indonesia, Philippines, Poland, and Mexico. In the HY segment, Brazil could tap the market with an inaugural sustainable-bond issuance. The first few months will see a material increase in bond redemptions, with notably external payments due for frontier markets such as: Egypt (March), Pakistan (April), Kenya (June), Tunisia (February).

## Overview

### 1. Pace of Sovereign and Corporate Issuance (USD billions, ex. CHN corporates, range since 2011)



### 2. Emerging and Frontier Market Spreads (Basis points)



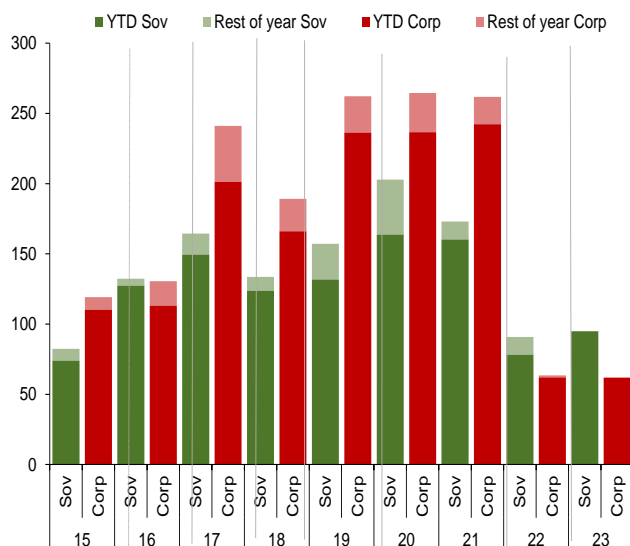
This monitor is produced by MCMGA. It captures international issuance, predominately denominated in hard currencies, and does not include domestically issued bonds in any currency.

Sources: Bloomberg, Bond Radar (issuance), EPFR (fund flows), JPMorgan (spreads), analyst reports, and IMF Staff.

## Issuance Detail: Emerging Market Corporates and Sovereigns

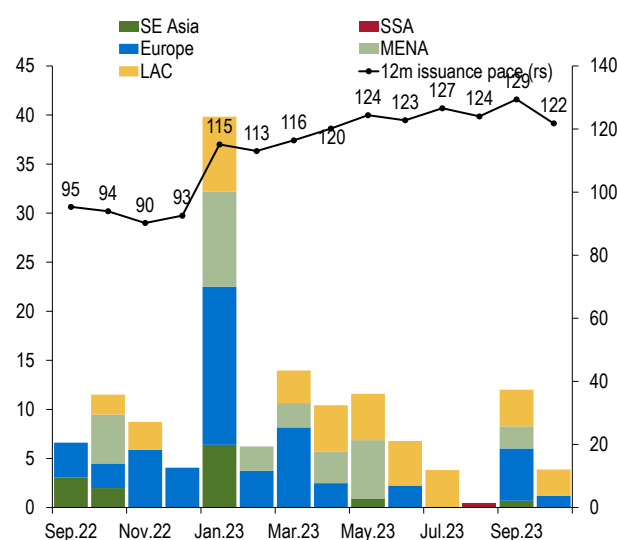
Total corporate issuance is now in line with 2022, as slightly improved ex. CHN volumes are offset by a further pullback from Chinese corporates.

**Chart 3. Sovereign and Corporate Issuance History (USD billions)**



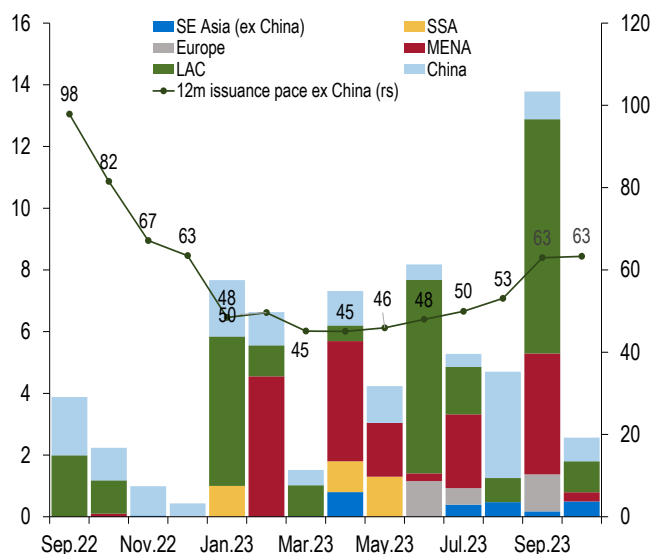
Romania, Uzbekistan, and Chile were the only sovereign issuers in October

**Chart 4. EM Sovereign International Bond Issuance by Region (USD billions)**



Corporate issuance fell back in October (\$2.6 bn) after a solid September

**Chart 5. Corporate International Bond Issuance by Region (USD billions)**



Chile is now the second largest issuer of the year behind Saudi Arabia, with CEEMEA countries close behind.

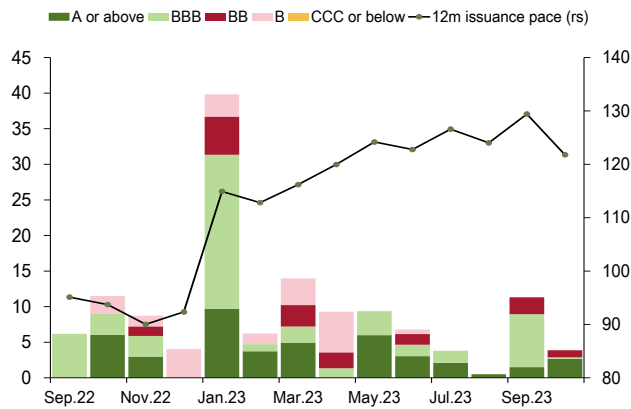
**Chart 6. Country Sovereign Issuance Totals (USD billions)**

Issuer	2021	2022	2023	Jul-23	Aug-23	Sep-23	Oct-23
Saudi Arabia	10.0	5.0	15.7	-	-	-	-
Chile	18.9	7.0	11.2	2.1	-	-	2.7
Romania	8.2	8.5	9.7	-	-	3.5	0.2
Poland	-	5.1	8.7	-	-	-	-
Turkey	10.0	13.0	7.4	-	-	-	-
Hungary	5.3	5.2	6.5	-	-	1.9	-
Mexico	9.1	7.3	5.3	-	-	-	-
Panama	4.7	4.0	3.9	0.7	-	1.4	-
Indonesia	12.2	8.2	3.7	-	-	-	-
United Arab Emirates	10.9	4.2	3.2	-	-	2.3	-
Dominican Republic	4.6	3.6	3.1	-	-	1.3	-
Philippines	6.0	4.8	3.0	-	-	-	-
Peru	10.0	-	2.5	-	-	-	-
Morocco	-	-	2.5	-	-	-	-
Brazil	2.2	-	2.2	-	-	-	-
Bahrain	4.0	-	2.0	-	-	-	-
Colombia	6.1	1.3	1.8	-	-	-	-
Serbia	3.2	-	1.7	-	-	-	-
Croatia	2.4	1.4	1.6	-	-	-	-
Bulgaria	-	2.2	1.6	-	-	-	-
Guatemala	1.0	0.5	1.6	-	-	0.6	-
Costa Rica	-	-	1.5	-	-	-	-

## Issuance Detail

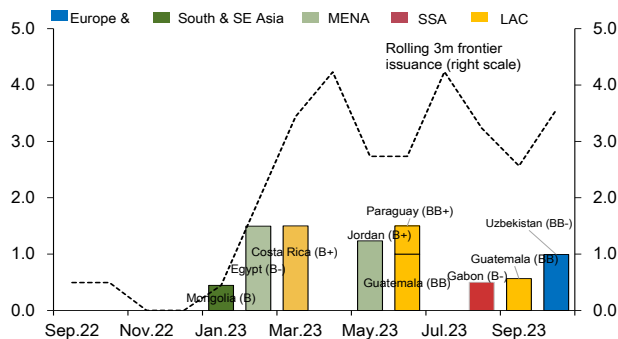
*Investment grade sovereigns, particularly those rated A or above, continue to make up a large share of issuance YTD.*

**Chart 7. Sovereign Hard Currency Issuance by Rating**  
(USD billions; Percent)



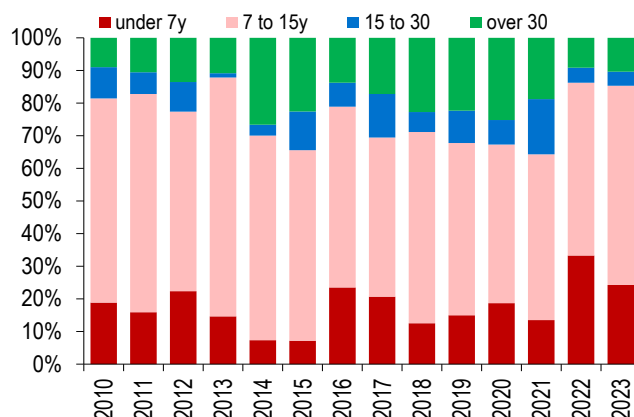
*Uzbekistan was the sole issuer last month, tapping the market after more than two years*

**Chart 9. Frontier Sovereign Issuance by Rating**  
(USD billions)



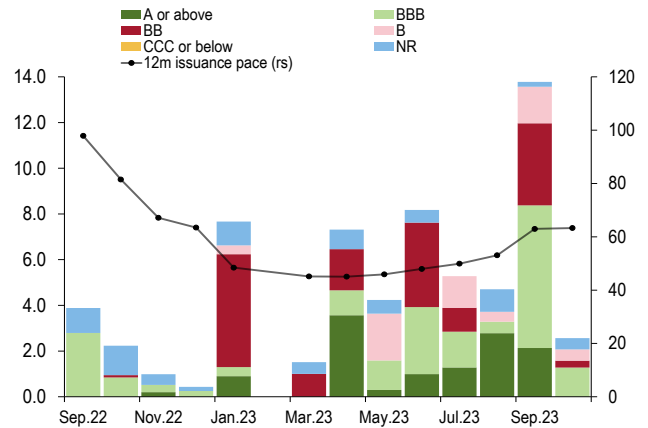
*Average maturity has remained low by historical standards, with only 15% of bonds issued at maturities over 15 yrs, and nearly a quarter below 7 years.*

**Chart 11. EM Sovereign Issuance by Maturity**  
(Percent)



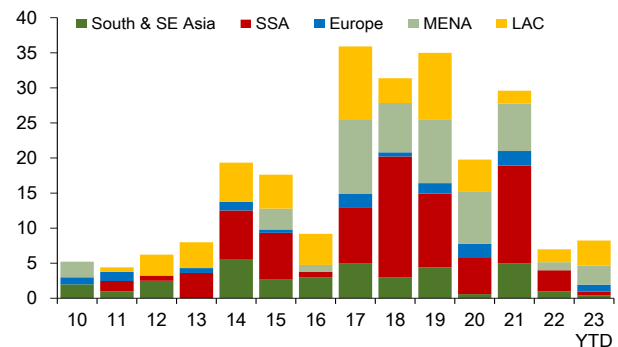
*BBB rated corporates made up the bulk of issuance in October.*

**Chart 8. Corporate Hard Currency Issuance by Rating**  
(USD billions)



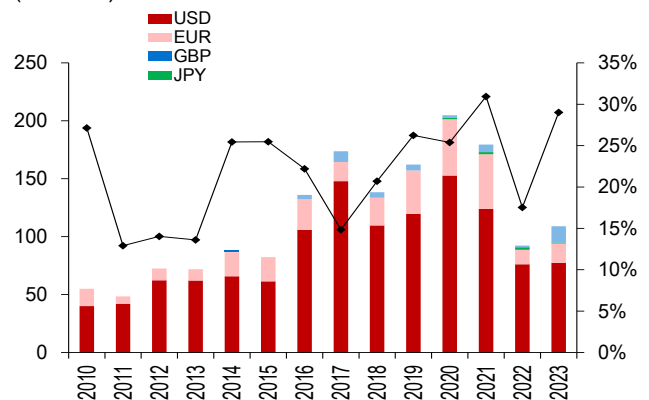
*Nine frontiers have issued in 2023 for \$8.2bn YTD in a continuation of the weak market dynamics seen in 2022.*

**Chart 10. Frontier Sovereign Issuance by Region**  
(USD billions)



*Non-dollar international issuances have risen to nearly 30%, bolstered by increased local currency issuance, and euro denominated notes from CEE.*

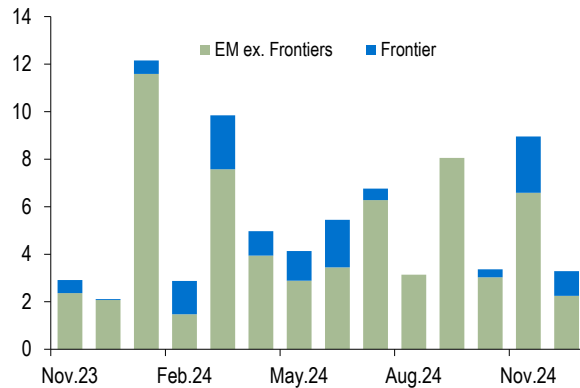
**Chart 12. EM Sovereign Issuance by Currency**  
(Percent)



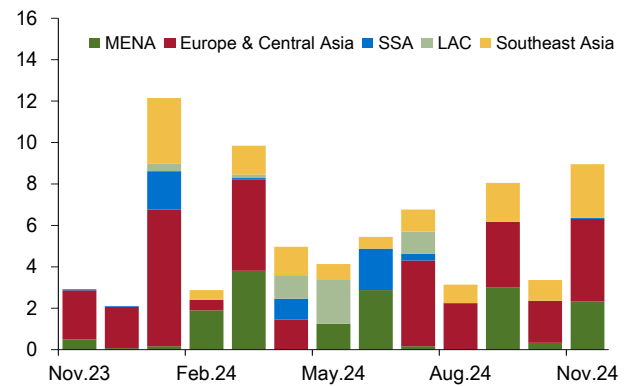
## Upcoming Amortizations

Bond redemptions will moderate until the end of the year, albeit with Egypt and Turkey having upcoming payments due in the next two months. The pace of redemptions picks up in Q1.2024, including Egypt, Bahrain, Azerbaijan, Poland, Indonesia, Hungary, Turkey, Tunisia, and Uzbekistan.

**Chart 13. EM Sovereign Maturities by Rating**  
(US billions)



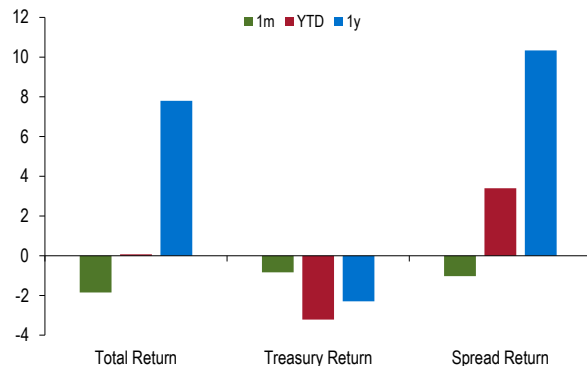
**Chart 14. EM Sovereign Amortizations by Region**  
(US billions)



## Fund Flows and Bond Returns

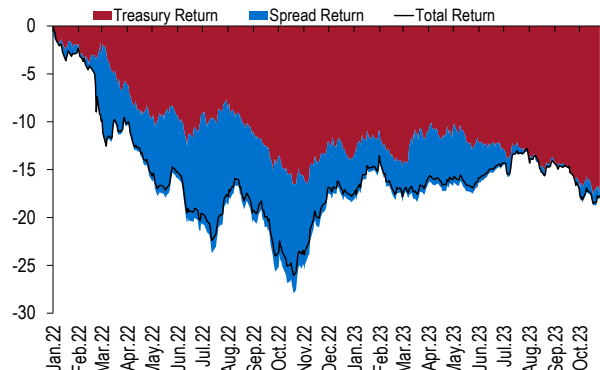
Both spreads and Treasuries have dragged down returns over the last month

**Chart 15. Sovereign Hard Currency Bond Returns**  
(percent)



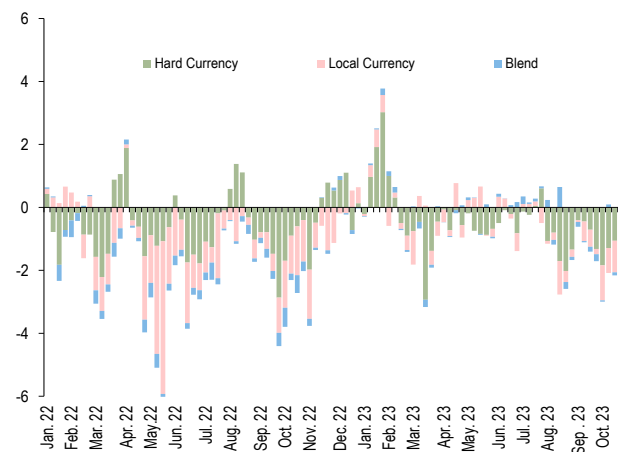
Since 2022, losses on hard currency sovereign bonds have been substantial, largely due to Treasuries on net

**Chart 16. Sovereign Hard Currency Bond Returns**  
(percent, cumulative)



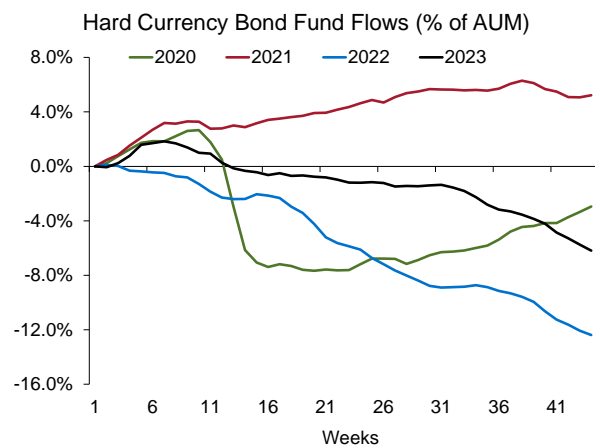
Outflows from hard and local currency funds accelerated in October

**Chart 17. ETF and Mutual Fund Flows**  
(US billions)



Outflows surpassed 6% of AUM in October

**Chart 18. Hard Currency Fund Flows** (percent of AUM, cumulative, by year)



## Sovereign Spreads on Hard Currency Bonds

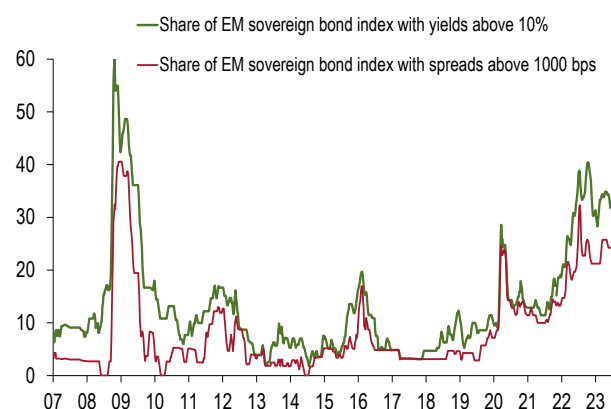
Spread performance was somewhat mixed in October, with Jordan and Iraq notably affected by the regional turmoil.

**Chart 19. Major Laggards and Gainers Last Month on Credit Spreads** (Basis points; restricted to issuers with spreads below 2500)

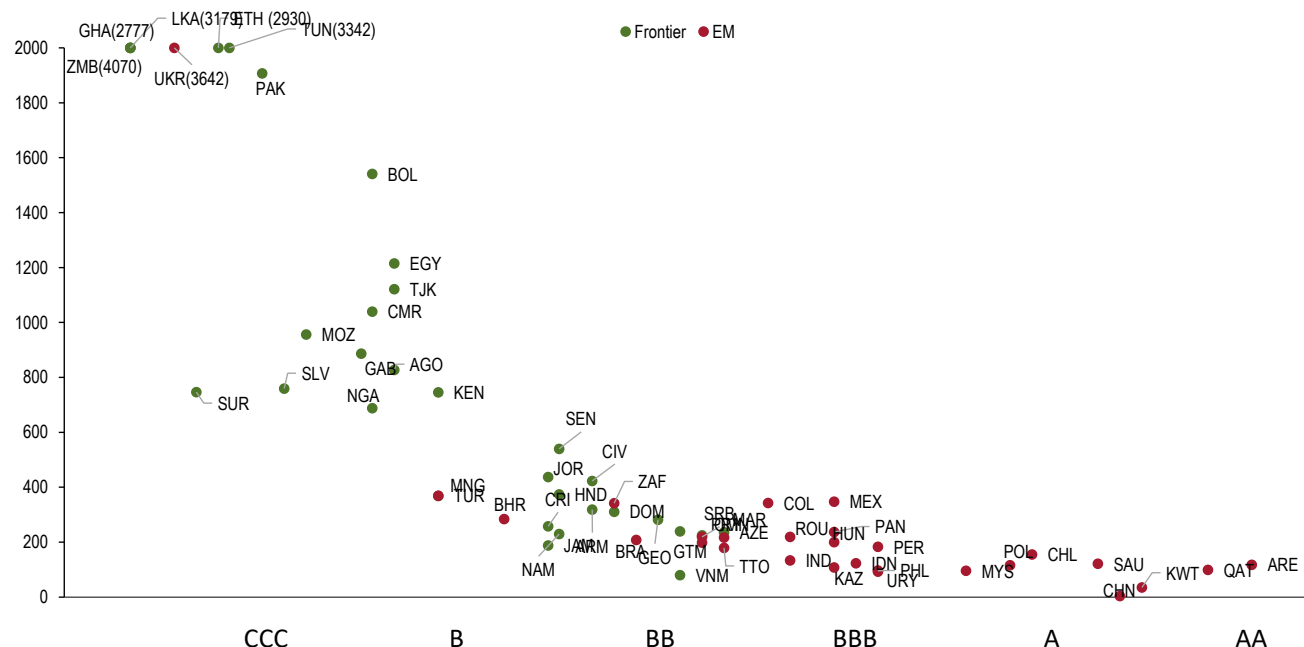
Top-10 Leaders			Top-10 Laggards		
Country	Change in spreads	Latest spread	Country	Change in spreads	Latest spread
Suriname	(425)	726	Angola	16	781
Pakistan	(121)	1,854	Honduras	18	373
Kenya	(92)	712	Guatemala	20	248
Nigeria	(61)	642	Bahrain	21	271
Namibia	(51)	210	Egypt	21	1,197
Ecuador	(34)	1,755	Armenia	30	334
Dominican Repb.	(22)	297	Georgia	31	276
Senegal	(19)	512	Panama	38	259
Poland	(18)	105	Azerbaijan	39	231
Colombia	(12)	323	Cameroon	67	1,037
Uruguay	(12)	86	Tajikistan	70	1,100
Serbia	(12)	214	Gabon	86	872
Jamaica	(10)	176	Jordan	96	427
South Africa	(9)	328	Bolivia	136	1,599
Mongolia	(8)	357	Iraq	205	642

The share of EM sovereign issuers in the benchmark index trading at distressed levels (spreads >1000 bps) stayed near 23%, with over 36% having yields above 10%.

**Chart 20. Share of Distressed Issuers in EM Bond Index** (share, 3 week average)



**Chart 21. Spreads by Rating and Country** (basis points, median rating)

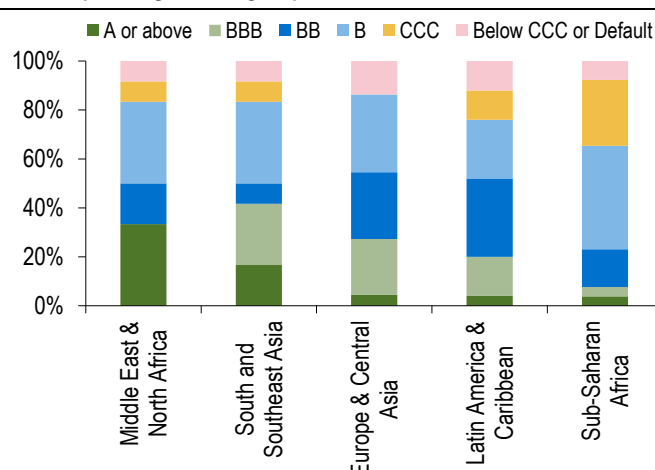


## Annex

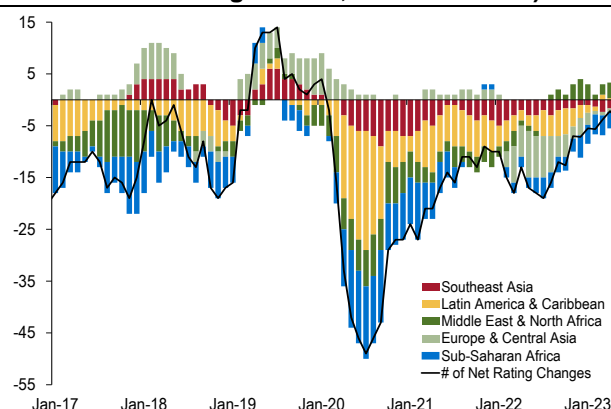
Annex Table 1. Issuance Coupons by Rating, USD bonds (percent)

Maturity (yrs)	A or above			BBB			BB			B		
	<7	7 to 15	>15	<7	7 to 15	>15	<7	7 to 15	>15	<7	7 to 15	>15
Jan.21	2.4	3.3		2.4	3.6		4.9	4.3	5.9	4.8	5.1	6.3
Feb.21										3.9	5.9	7.5
Mar.21		3.5		3.2	3.7					3.0	7.9	8.9
Apr.21	2.1	3.1		3.3	4.2		2.8					
May.21	2.5	3.1		4.4								
Jun.21				1.5	2.3	3.8	4.3	4.8		4.3	5.4	
Jul.21	2.6	3.1		2.7	3.2					6.0	7.1	8.9
Aug.21												
Sep.21	1.9	3.1		2.1	3.2		3.7	4.7		5.8	6.7	8.5
Oct.21	2.0	3.1		3.0	3.6			5.2				
Nov.21		3.3								4.8		
Dec.21												
Jan.22	2.8	3.5	4.0	3.0	3.5	4.5	3.8				8.0	
Feb.22							5.8			7.3	7.5	
Mar.22		4.3		3.2	3.6	4.3				8.6	8.4	
Apr.22							5.9	7.3			8.8	
May.22				4.8	5.4							
Jun.22	4.1	5.0		5.4								
Jul.22												
Aug.22				5.4			5.3					
Sep.22				4.2	4.7	5.5						
Oct.22	5.3	5.5		5.2	5.7	6.0				9.8		
Nov.22	5.5	5.8		6.4	7.6		8.0			9.9		
Dec.22										9.9		
Jan.23	4.8	4.9	5.0	5.0	5.9	6.4	6.3	7.0			9.4	
Feb.23					6.5					10.9		
Mar.23	4.9	5.5		6.1	6.3	6.9	6.0	6.5		9.4	6.6	
Apr.23						6.3		6.0		7.5	7.7	
May.23	4.2	4.3										
Jun.23	5.0	5.3						6.2				
Jul.23				6.4								
Aug.23	6.1											
Sep.23	4.9			6.5	6.9			6.5				
Oct.23		3.4					7.9					

Annex Table 2. Ratings by Region (share by rating and region)



Annex Table 3. Net Ratings Updates (number of net rating actions, six month sum)



Annex Table 4. Latest Ratings Actions

	New Median rating	Latest			End Sep. 23		
		S&P	Fitch	Moody's	S&P	Fitch	Moody's
Costa Rica	BB-	BB-	BB-	B2	B+	BB-	B2
Egypt	B-	B-	B	Caa1	B	B	B3 *-
Uganda	B	B-	B+	B2u	B	B+	B2u
Jamaica	B+	BB-	B+u	B1	BB-	B+u	B2
Panama	BBB-	BBB	BBB-	Baa3	BBB	BBB-	Baa2
Niger	CCC	NR	NR	Caa2	NR	NR	Caa2 *-

Note: Annex Table 4 incorporates S&P, Fitch, and Moody's ratings agencies. Size of ratings adjustment not reflected; a ratings change by any agency counts as "1".